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C O N F I D E N T I A L CAIRO 002309

SENSITIVE
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DEPT FOR NEA/ELA

E.O. 12958: DECL: 12/17/2014
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SUBJECT: SUBSIDY REFORM PROGRESSING SLOWLY - GOE LOOKS TO
MARKET SOLUTIONS

REF: 08 CAIRO 2279 Classified By: Econ-Political Minister-Counselor Donald Blome for Reasons 1.4 (b) and (d).
1.(SBU) KEY POINTS -- The GOE is debating proposals to reform the subsidies for bread and bottled gas for cooking and heating. -- Proposed changes
2.(C) In a December 13 meeting, Noha Kaptan, Information Infrastructure Advisor to the Minister of Social Solidarity (MOSS), told us that as of
3.(C) Kaptan told us that the GOE had made no decisions regarding a possible conversion of the bread subsidy program from an in-kind subsidy to
4.(C) Kaptan said that there is some concern among policy makers about the inflationary effect of a cash-transfer system and that it was being
5.(SBU) The GOE continues to look at ways to tame the energy subsidy budget, which most analysts, as well as many in the Egyptian government, see
6.(U) One of the areas that the GOE is looking to drive cost savings through increased efficiency is in the supply of bottled butane gas to consumers
7.(C) The current proposal, according to Kaptan, though still in the discussion phase, would be to convert the butane subsidy to a paper voucher
8.(C) Despite stories in the press and a number of ideas being floated regarding subsidy reform, there appears to be only halting progress toward
9.(C) The global decrease in oil and commodity prices has helped Egypt lower its overall subsidy bill from LE132.81 billion (US\$24.28 billion)